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## ROUTING AND RECORD SHEET

INSTRUCTIONS: Officer designations should be used in the "TO" column. Under each comment a line should be drawn across sheet and each comment numbered to correspond with the number in the "TO" column. Each officer should initial (check mark insufficient) before further routing. This Routing and Record Sheet should be returned to Registry.

FROM:

2003

NO.

DATE

11 Feb. 1954

TO	ROOM NO.	DATE		OFFICER'S INITIALS	COMMENTS
		REC'D	FWD'D		
1. WH Division [ ]	Quarters Eye	FEB 11 1954			<p>1-2 Dick Berry states it was not brought up at OCB because Gen. Smith v. not feel White House should be involved. Ledy is now working on a paper to interview Gen. Smith in making a statement. We will be advised. Meanwhile no action here. Feb. 12 [ ]</p> <p>Rechecked Feb. 19 by [ ] and mailed Feb. 20 [ ] for domestic court use. <i>mm</i></p>
2. [ ]		FEB 12 1954		[ ]	
3. [ ]		15 FEB 1954	15 FEB 1954	[ ]	
4. [ ]		17 Feb		[ ]	
5. [ ]		FEB 18 1954	FEB 18 1954	[ ]	
6. [ ]					
7. [ ]					
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9. [ ]					
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11. [ ]					
12. [ ]					
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15. [ ]					

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J-2288

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CIA HISTORICAL REVIEW PROGRAM  
RELEASE IN FULL

MEMORANDUM

2003

Subject: The Coffee Problem as it Affects ~~Communist~~  
~~Plans in Guatemala~~

*U.S. relations with influence of Latin  
American Countries.*

1. The recent sharp rise in the price of coffee in the United States has caused agitation in the press and Congress for effective steps to lower the price. Investigation by a Senate committee is already under way. High United States Government officials have suggested a boycott of coffee including a Cabinet member, the Secretary of Agriculture (by promoting the idea it would be better to drink milk). Linked with the boycott proposal in the public mind is the Guatemalan issue, since Walter Winchell and others have proposed a boycott of Guatemalan coffee as a means of combatting Communism in that country. (Senator Smith of Maine introduced a resolution in the Senate on February 8, 1954, to investigate the Communist movement in Guatemala and its effect on the price of imported coffee.) In reality, a boycott of Guatemalan coffee has nothing whatsoever to do with the boycott of all coffee as a means of forcing a price reduction - but it is one of the principal points of confusion whereby Guatemala is brought into the picture.

2. Coffee is one of the most essential products to many Latin American nations, being grown principally for export and as such the largest source of their dollar income. In Central America, all countries including Guatemala are dependent on coffee sales to varying degrees; three of them, El Salvador, Nicaragua, and Costa Rica, have almost "coffee economies." Panama is enjoying increasing coffee output. The three Caribbean nations (Cuba, Haiti, and the Dominican Republic) derive substantial income from coffee; and Mexico is also a grower. In South America, Colombia and Brazil live off coffee exports; and Venezuela has a large coffee income (it paid off the foreign debt before oil was discovered 35 years ago) of extreme importance to the Andean region of the country whence come the Venezuelan ruling military class.

3. Two-thirds of Latin American coffee production is sold in the United States market. Efforts to restrict this market are extremely resented by all the producer nations, not only as directly affecting their interests but as based on falsehood and slander - that the rise in coffee prices is due to manipulation on their part.

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As coffee is grown on small farms by natives, not foreign companies, it is undoubtedly the one enterprise which touches most deeply the basic economy of thirteen producing countries, and it is a political issue on which all parties in these countries must stand absolutely united. Threats by United States Government officials are already being widely exploited by the Communists in Latin America as proof of the imperialist determination to keep the Latin producers of raw materials in economic bondage.

4. On the eve of the Caracas conference, the Communist-influenced Government of Guatemala is thus served the most perfectly tailor-made issue it could seek in order to disrupt the conference and repel any efforts by the Hemisphere to take action against Communism. Linking threats of boycott of Guatemalan coffee with threats to boycott all coffee, the Guatemalan delegation has an issue on which all Latin producing nations will respond as one. It is economic aggression in its widest and most dangerous form, as it affects more countries than could any other and more people in each country.

5. The countries affected are precisely the countries on whose cooperation and firmness we must depend for success on the Communist issue at Caracas. The Central American countries must themselves stand up to the threat of Guatemalan aggression represented by Communist infiltration in Guatemala; the active support of the three South American leaders against Communism, Colombia, Venezuela, and Brazil, is vital to the United States position on the danger of Communist penetration in the Hemisphere; and the votes of the three Caribbean nations hold the balance in any close debate where a two-thirds majority is required. All of this support will be weakened and confused if Guatemala is able to pin the charge of economic aggression on the United States.

6. Appropriate action at this time, ~~three weeks~~ in advance of the conference, should be taken to remove the issue from the minds of Latin American nations. This action should be along the lines that ~~the United States Government~~, while concerned at increased coffee prices as a burden on American consumers, ~~is~~ nevertheless determined to obtain the full facts by careful and impartial investigation; that information to date does not support any belief that the producing nations have in any way whatsoever caused the rise in coffee prices; that all of these nations have given a splendid example of inter-American friendship by their offers of cooperation in the investigation and in plans to combat further price rises; and that the United States understands and appreciates the economic problems that confront them and the need for all to cooperate in solving them. *continue on next page*

*interest to U.S. business groups*

*A statement*

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A statement to this effect could well be made by the Department of State, through either the Acting Secretary, General Smith, or the Assistant Secretary for Inter-American Affairs, Mr. Cabot. If done on February 9, it would be carried in the press of February 10. Then, for maximum effectiveness, it should be followed by an inquiry to the President at his weekly press conference, at which time he might respond that he is very much interested in the problem, has followed it closely, and backs up fully the statement of the Department of State. This would be carried in the press of Latin America on the eleventh and twelfth, and between both statements it should be made abundantly clear that the United States Government is not sympathetic to any boycott.

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TRANSMITTAL SLIP		
		10 Feb (Date)
TO:	W H - L J	
BUILDING	ROOM NO.	
REMARKS: Hilms left the attached with the BCI who was prepared to lend support at the OCB - State did not raise the question & Dick supports I return it to you		
FROM:	L J	
BUILDING	ROOM NO.	EXTENSION
2028 K		3616

FORM NO. 36-8  
SEP 1946

16-65268-1 GPO

# TRANSMITTAL SLIP

*Feb. 9.*  
(Date)

*Dep*

TO:

*Mr. Helms*

BUILDING

ROOM NO.

REMARKS:

*Dick Bony advises he can execute. He proposes in order get fuel gant. support to have it brought up at OCB Wednesday. He will confirm this to me - and we believe Director should be foreadvised. To save me a trip across the Westland I leave this copy with you and will call Wed. A.M.*

FROM:

*L*

*J*

BUILDING

ROOM NO.

EXTENSION

*Ats. Eys*

*4493*

FORM NO. 36-8  
SEP 1946

16-65208-1 GPO